

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 850 – HB 951

March 30, 2015

**SUMMARY OF ORIGINAL BILL:** Requires local governments, prior to the adoption of any hotel occupancy taxes, to conduct a study to determine the economic effect of such an action. Requires the study to be preceded by public notice in a newspaper of general circulation, written notice to the county or city covered but not making the proposal, and at least a 30-day period for the public to review such study after it is published and submit comments to the adopting body prior to the adoption of an ordinance. Requires at least 80 percent of the proceeds of any tax or expansion of the tax adopted after the effective date of this act to be spent in the promotion of tourism or tourism development. Redefines “transient” to mean any person who exercises occupancy or is entitled to occupancy for any rooms, lodgings or accommodations in a hotel for a period of less than 90 days, instead of 30 days. Specifies that as part of the audit conducted by the Office of the Comptroller, and within the normal cost of the audit, the collection and use of any occupancy tax levied will be subject to audit. Prohibits any hotel occupancy taxes or increases in existing hotel occupancy taxes from being adopted by a private act, after the effective date of this act.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – The proposed legislation will prohibit certain local government units, those chartered by private act, from increasing or imposing any new hotel occupancy tax rates after the effective date of this act, resulting in potentially forgone revenue for those local units. Further, requiring studies to be done and time to be granted for the public to submit their comments prior to the adoption of, or an increase to, tax rates for other local governments could result in such governments forgoing any increases in future tax revenue. However, extending the taxable base for certain local governments, by applying the tax to continuous hotel occupancies of fewer than 90 days, instead of 30 days, is estimated to result in a recurring increase in local government revenue. Due to multiple unknown factors, the magnitude of any such change and the net impact of the proposed legislation on local government revenue cannot be quantified with reasonable certainty.

**SUMMARY OF AMENDMENT (005410):** Deletes all language after the enacting clause. Redefines “person” under hotel occupancy tax provisions for home rule municipalities to mean any individual, or group of individuals, that occupies the same room for a period of less than 90 days. Directs the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) to study the effect of hotel occupancy taxes on the economy and tourism and the hospitality industry. Requires TACIR to submit the findings of the study to the Local

Government Committee of the House of Representatives and the State and Local Government Committee of the Senate by February 15, 2016.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**NOT SIGNIFICANT**

Assumptions for the bill as amended:

- Under current law, a “person” is defined as any individual, firm, partnership, joint venture, association, social club, fraternal organization, joint stock company, corporation, estate, trust, business trust, receiver, trustee, syndicate or any other group or combination acting as a unit.
- Redefining this definition as proposed by this bill as amended is assumed not to exempt any of these entities from the hotel occupancy tax imposed under this part. Any fiscal impact of this provision on the local government is estimated to be not significant.
- TACIR will conduct the study using existing resources without a significant increase in expenditures.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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